

PUBLIC PENSION OVERSIGHT BOARD

Minutes

February 26, 2024

Call to Order and Roll Call

The 2nd meeting of the Public Pension Oversight Board was held on February 26, 2024, at 1:00 PM in Room 154 of the Capitol Annex. Representative DJ Johnson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative DJ Johnson, Co-Chair; Senators Danny Carroll, Christian McDaniel, Robby Mills, Gerald A. Neal, and Michael J. Nemes; Representatives David Hale, Tina Bojanowski, Robert Duvall, Ken Fleming, Derrick Graham, Jason Petrie, and James Tipton; Allison Ball, Auditor of Public Accounts, John Hicks, Victor Maddox, and Sharon Mattingly.

Guests: Representative Susan Witten; Representative John Blanton; and Bryanna Carroll, Director of Public Affairs, Kentucky League of Cities.

LRC Staff: Brad Gross, Michael Clancy, Jennifer Hans, and Angela Rhodes.

Announcements

Representative Johnson welcomed the Public Pension Oversight Board's (PPOB) newest member, Representative Robert Duvall.

Approval of Minutes

Senator Higdon moved that the minutes of the January 22, 2024, meeting be approved. Senator Mills seconded the motion, and the minutes were approved without objection.

House Bill 164

Representative Witten discussed House Bill 164, an act relating to death in the line of duty (LOD) benefits. She stated that the background of the bill was the case of Louisville Metro Police Officer Nickolas Wilt, who was shot in head while responding to the mass shooting at Old National Bank on April 10, 2023.

In response to a question from Senator McDaniel, Representative Witten clarified that this bill is for hazardous members and non-hazardous members who may be

performing duties that could be designated as hazardous. The bill would increase the LOD death benefit for a non-spousal beneficiary from \$10,000 to a lump-sum payment equal to 36 months of the member's average monthly rate of pay. In response to a follow-up, Representative Witten stated that there would be no spousal benefit if there is a separate beneficiary designated by the member.

In response to a question from Senator Higdon, Representative Witten stated that the state-paid benefits include a lump sum death benefit of \$80,000 and retirement benefits. Federal benefits include a public safety officers' benefit of roughly \$437,000 and Social Security benefits. In response to a follow-up question regarding a lump sum amount equaling 36 months, Representative Witten stated she believes the intent is to still give three years' worth of payments but to also have it reflect the level of work a participant had provided.

In response to a question from Representative Bojanowski, Representative Johnson explained that the anticipated increase in annual benefits of \$85,000 reflected in the actuarial analysis would be for the entire state, resulting in no statistically significant fiscal impact due to only a few people being involved.

In response to a question from Representative Tipton, Representative Witten stated that this bill would not be retroactive. In response to a follow-up question regarding the Louisville officer injured in the LOD on his fourth day on the job, Representative Witten reported that if Officer Wilt had passed away, his retirement benefits would have been roughly \$74. Representative Tipton made additional comments regarding why the PPOB vets bills relating to the pension systems.

House Bill 661

Representative Blanton discussed House Bill 661, an act relating to pension spiking in the Kentucky Public Pensions Authority.

Representative Tipton commented he hopes that school board employees in the County Employees Retirement System (CERS), who received pay raises as a result of a salary survey, will be included for the exemption in the future.

In response to a question, Representative Blanton agreed that people impacted by the bill will be those who received a pay increase and then retire within three to five years, depending on which system they participated in, after receiving the pay increase.

Representative Graham thanked Representative Blanton for bringing the bill forward and educating the General Assembly.

In response to a question from Senator Higdon, Representative Blanton stated that the actuarial analysis had not been returned to him, but staff informed Senator Higdon that it was just recently available. Representative Blanton noted that in the future he hopes a lot of the exemptions applied to pension spiking will be removed in favor of a different approach.

House Bill 349

On behalf of Representative Callaway, who could not attend due to a family commitment, Representative Johnson discussed House Bill 349, an act relating to LOD disability benefits and declaring an emergency. He reported the results of the actuarial analysis, which provides that the bill would raise the employer contribution rates by 0.52 percent of pay for the CERS hazardous plan and 0.59 percent of pay for the State Police Retirement System to pay for the cost for the increased insurance benefits for members who receive hazardous disability as a result of an act in the LOD.

In response to questions from members, Representative Johnson explained that a long-term negative impact to the unfunded liability would only occur if the employer contribution rates were not increased to pay for the cost of the new benefits. Representative Tipton added that with any benefit increase, there will be a cost associated. The increased cost will, in turn, increase the unfunded liability. In order to ensure the unfunded liability from the benefit increase is paid, there would need to be an increase to the employer contribution rate in order to offset the cost. In response to a follow-up, Representative Tipton agreed that, if the municipalities pay their portion, the unfunded liability will be addressed.

In response to a question from Senator Higdon, Representative Johnson agreed that, under the bill, anyone with a hazardous membership dating back to 2003 would be eligible for the increased LOD hazardous disability insurance benefits. He added that the bill would also include spousal insurance benefits.

Pension Proposal

Bryanna Carroll, Director of Public Affairs, Kentucky League of Cities, discussed a pension proposal relating to matters of employee retention and recruitment, health insurance benefits, retirement benefit payment options, pension spiking, and LOD-benefit funding relating to CERS.

In response to a question from Representative Bojanowski, Ms. Carroll stated that members will receive the bill draft once it is filed.

In response to a question from Senator Higdon, Ms. Carroll stated that the high-5 spiking language has not been affected by the proposal.

In response to a question from Representative Johnson, Ms. Carroll stated that if the pension system is funding an increased benefit, rather than it being paid with cash, then the pension system is basing the amount of the payments to pay for that increased benefit on their actuary's assumptions, which increases risk that the cost will be paid as opposed to paying it up front with cash.

In response to a question from Representative Tipton regarding whether she was referencing the Kentucky Law Enforcement Foundation Program Fund when discussing another funding source, Ms. Carroll stated that it would be what the fund sponsors would be willing to do and if it would provide a savings to the pension system.

Adjournment

There being no further business, the meeting was adjourned.